

September 16, 2003

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**MEDICAL, DENTAL, LIFE INSURANCE AND
DISABILITY PLANS FOR 2004
(3 VOTES)**

Joint Recommendation With Director Of Personnel That Your Board:

1. Approve proposed premium rates for County sponsored plans as follows: (a) medical and dental rates for represented employees for the period January 1, 2004 through December 31, 2004 as shown in Exhibit I, (b) medical and dental rates for non-represented employees for the period January 1, 2004 through December 31, 2004 as shown in Exhibit II, (c) rates for all employees for life, accidental death and dismemberment (AD&D), and survivor income benefit (SIB) for the period January 1, 2004 through December 31, 2006 as shown in Exhibit III, and (d) continue existing premium rates for the Short-Term Disability (STD) plan and Long-Term Disability (LTD) Health Insurance plan, as shown in Exhibit IV.
2. To implement premium rates recommended in 1 above, instruct the County Counsel to review and approve as to form the appropriate contracts with Blue Cross of California and Blue Cross Life and Health Insurance Company (Blue Cross), Connecticut General Life Insurance Company and CIGNA Healthcare of California, Inc. (CIGNA), Delta Dental Plan (Delta Dental), Kaiser Foundation Health Plan, Inc. (Kaiser), PacifiCare of California and PacifiCare Life & Health (PacifiCare), and their successors or affiliates, as necessary, for the period January 1, 2004 through December 31, 2004, and with the Life Insurance Company of North America (LINA), and their successors or affiliates, as necessary, for the period January 1, 2004 through December 31, 2006, and instruct the Chair to sign such contracts.
3. Approve proposed premium rates and benefit coverage changes for the following

Union sponsored plans as shown in Exhibit V for the period from January 1, 2004 through December 31, 2004: Association for Los Angeles Deputy Sheriffs, Inc. (ALADS) plans, the California Association of Professional Employees (CAPE) plans and the Los Angeles County Fire Fighters Local 1014 Health and Welfare Plan.

4. Instruct the Auditor-Controller to make all payroll system changes necessary to implement the changes recommended herein to ensure that all changes in premium rates are first reflected on pay warrants issued on January 15, 2004.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The County maintains employee health, dental and other group insurance programs to promote the effectiveness, health and welfare of its workforce. These insurance programs are based on long term relationships with insurance carriers and many of these relationships are spelled out in the Fringe Benefit Memoranda of Understanding (MOU) with County unions.

The current rate guarantees for most County and union-sponsored group insurance plans end on December 31, 2003. The purpose of these recommendations is to implement premium rate changes for the 2004 calendar year.

The recommendations in Exhibits I, II, III and IV regarding the County sponsored plans are the result of intensive negotiations between the affected insurance carriers and a County team comprised of representatives of the Director of Personnel (DHR), Chief Administrative Officer (CAO), and the County's group insurance consultant, Mercer Human Resource Consulting (Mercer). With regards to County sponsored plans governed by Fringe MOUs with County unions, the unions own benefit consultants have input into the insurance carrier negotiations. The negotiated premium rates are concurred with by DHR, the CAO and Mercer. Coalition of County Unions and SEIU Local 660 have voted in the respective labor-management benefit advisory committees, EBAC and BAC, to recommend the 2004 premium rates for plans affecting represented employees.

Premium and benefit changes requested by unions which sponsor group insurance plans are reviewed by DHR and the CAO. DHR and the CAO jointly recommend changes requested by ALADS, CAPE and Local 1014 which are shown in Exhibit V.

Implementation of Strategic Plan Goals

The recommended actions are consistent with the principles of the Countywide Strategic Plan promoting the well being of County employees and their families by offering comprehensive employee benefits.

FISCAL IMPACT/FINANCING

Each cafeteria benefit plan, including represented employee plans provided by MOU with County unions, provides for a County contribution (and in some cases an additional subsidy) to help pay the cost of insurance benefits. The County contribution and applicable subsidy for employee benefits is included in the 2003-2004 budget. Employees pay for additional costs above and beyond the County contribution and subsidy through payroll deduction.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Medical Plan Changes Affecting Represented Employees

The annual cafeteria plan enrollment process for the 2004 plan year will take place in October, as usual, and the employee communications material distributed in support of the enrollment will reflect the status quo with regard to current County contributions and the various premium rate adjustments set forth in these recommendations.

Depending on the plan, County health plans are either fully or partially rated by the insurance companies based on the unique utilization of provided health services by County employees and their covered dependents. In addition in 2003, an ongoing pattern of increases in hospital, medical provider and pharmaceutical costs again drove health insurance costs upward. As a result, many premium rate adjustments recommended in Exhibit I to become effective January 1, 2004 will be up sharply from 2003. Kaiser, the County's most populous health plan, is increasing premium rates by 13.2 percent for employees represented by the Coalition of County Unions participating in the Choices Plan, and 13.5 percent for employees represented by SEIU Local 660 participating in the Options Plan. CIGNA provides an array of plans to employees represented by the Coalition of County Unions and has proposed an increase of 18.3 percent in premium rates for 2004 for all plan types. Employees represented by SEIU Local 660 will experience increases of 15.2 percent to 17.8 percent in PacifiCare premium rates, depending on the type of plan and coverage category.

Adjustments for the County approved union-sponsored health plans are also trending upward. Proposed 2004 premium rates and benefit changes for the ALADS plans, CAPE plans, and Los Angeles County Fire Fighters Local 1014 Health and Welfare Plan are summarized in Exhibit V ([the union letters requesting these changes are appended to Exhibit V](#)). ALADS is proposing increases ranging from 4.9 percent to 12 percent, depending on type of plan and coverage category. CAPE is requesting various rate adjustments in its two POS plans up to a maximum 15.4 percent and is expanding the CAPE vision benefit. The Los Angeles County Fire Fighters Local 1014 Health and Welfare Plan has also made a number of benefit changes, including increases in the annual deductible, vision benefit and co-insurance costs, an increase in the lifetime plan maximum, and a reduction in the infertility benefit, and is

requesting rate adjustments ranging from 9.6 percent to 13 percent depending on type of plan and coverage category. Detailed benefit design changes for the union-sponsored CAPE medical plan and Fire Fighters Local 1014 Health and Welfare Plan are included in Exhibit V. We do not recommend that you approve a request contained in the ALADS letter to permit ALADS health plan coverage to be extended to approximately 2,000 additional employees who are not permitted to be covered by ALADS in the current Coalition Fringe MOU. This ALADS request should be addressed in the Coalition Fringe MOU negotiations for a successor agreement which are now underway.

Medical Plan Changes Affecting Non-represented Employees

Non-represented employees who participate in the Flexible Benefit and MegaFlex Plans currently have a choice between Kaiser and four Blue Cross health plans, which include an HMO, a Point-of-Service (POS) Plan, a Preferred Provider Plan (PPO), and a Catastrophic Plan.

Cost increases for non-represented health plans are driven by the same factors as represented employee plans: member utilization of benefits, and hospital, health provider and pharmaceutical costs. For 2004, the percent increases negotiated with carriers is 15.6 percent for Kaiser, 14.8 percent for the Blue Cross HMO and 16.7 percent for the Blue Cross indemnity (POS, PPO and catastrophic) plans. We recommend that these percentage increases be passed on to Flexible Benefit and MegaFlex Plan members in 2004 as shown in Exhibit II.

Dental Insurance

The recommended 2004 premium rates for represented employee dental plans are shown in Exhibit I and the corresponding rates for non-represented employees are shown in Exhibit II.

Indemnity dental plan premium rates negotiated by the County team and Delta Dental will increase substantially in 2004. Delta Dental's premium rates are increasing by 19.6 percent for represented employees and 18.9 percent for non-represented employees. The current Fringe Benefit MOUs with County unions provide that charges to represented employees for indemnity dental insurance remain fixed at 2003 levels until successor MOUs are agreed to. To maintain equity, we recommend that non-represented indemnity dental insurance rates charged to employees also remain fixed at the 2003 level.

Capitated dental plans are subject to a guaranteed rate cap which extends through 2004. Accordingly, there will be no increase in the premium rates for DeltaCare, PMI and Safeguard. SafeGuard's 2004 premium rates reflect a credit adjustment as a result of performance guarantee penalties incurred by the carrier in 2002.

Life Insurance and Disability Programs

The County provides a County paid basic group term life insurance benefit of \$2,000 or \$10,000, depending on retirement plan membership, to Choices and Options participants and non-represented employees participating in the Flexible Benefit Plan. In addition, members of the Options, Choices and the Flexible Benefits Plans may purchase optional group term life coverage. The Life Insurance Company of North America (LINA) has offered a guarantee of no increase in premium rates for the County paid basic life insurance benefit and for employee paid optional group term life insurance through 2006. LINA has also proposed no increase in premium rates in 2004 for optional accidental death and dismemberment (AD&D) benefits available to all permanent full-time employees. These AD&D rates are guaranteed through 2006.

There has been no change in the cost of supplying LTD Health Insurance to represented and non-represented employees and no change in the cost of MegaFlex STD, LTD and SIB benefits, so no adjustments are recommended.

Respectfully submitted,

DAVID E. JANSSEN
Chief Administrative Officer

MICHAEL J. HENRY
Director of Personnel

DEJ:MJH
WGL:FF:lg

Attachments (5)

c: Auditor-Controller
County Counsel

**COUNTY-SPONSORED
MEDICAL AND DENTAL INSURANCE PLANS
FOR REPRESENTED EMPLOYEES
CURRENT 2003 RATES AND PROPOSED 2004 RATES**

Plan	Option	Coverage Category ^a	Current 2003 Rates ^b	Proposed 2004 Rates ^b	Percentage Change
CIGNA	Network Co-pay	1	\$252.58	\$298.73	18.3%
		2	\$506.01	\$598.47	18.3%
		3	\$582.22	\$688.60	18.3%
	Health Access Open HMO	1	\$390.43	\$461.77	18.3%
		2	\$740.87	\$876.24	18.3%
		3	\$834.96	\$987.52	18.3%
	Preferred Provider	1	\$628.00	\$742.75	18.3%
		2	\$1291.77	\$1527.80	18.3%
		3	\$1451.27	\$1716.44	18.3%
KAISER Choices		1	\$264.59	\$299.47	13.2%
		2	\$529.18	\$598.94	13.2%
		3	\$613.85	\$694.77	13.2%
KAISER Options		1	\$257.56	\$292.37	13.5%
		2	\$518.12	\$587.74	13.4%
		3	\$600.46	\$681.22	13.4%
PACIFICARE	HMO	1	\$230.11	\$265.29	15.3%
		2	\$467.98	\$539.05	15.2%
		3	\$541.52	\$623.85	15.2%
	PPO	1	\$470.64	\$554.53	17.8%
		2	\$954.01	\$1123.50	17.8%
		3	\$1104.33	\$1300.63	17.8%

^a 1 = Employee only

2 = Employee + 1 Dependent

3 = Employee + 2 or more Dependents

^b Rates for Kaiser (Options Plan) and Pacificare reflect current negotiated County subsidies.

**COUNTY-SPONSORED
MEDICAL AND DENTAL INSURANCE PLANS
FOR REPRESENTED EMPLOYEES
CURRENT 2003 RATES AND PROPOSED 2004 RATES**

Plan	Option	Coverage Category ^a	Current 2003 Rates	Proposed 2004 Rates	Percentage Change
DELTA DENTAL ^b Choices		1	\$ 26.00	\$ 26.00	0.0%
		2	\$ 43.00	\$ 43.00	0.0%
		3	\$ 65.00	\$ 65.00	0.0%
DELTA DENTAL ^b Options		1	\$ 30.00	\$ 30.00	0.0%
		2	\$ 50.00	\$ 50.00	0.0%
		3	\$ 75.00	\$ 75.00	0.0%
DELTACARE PMI Choices & Options		1	\$ 11.83	\$ 11.83	0.0%
		2	\$ 19.51	\$ 19.51	0.0%
		3	\$ 28.85	\$ 28.85	0.0%
SAFEGUARD ^c Choices & Options		1	\$ 9.45	\$ 9.44	-0.1%
		2	\$ 18.22	\$ 18.21	-0.1%
		3	\$ 23.74	\$ 23.73	-0.0%

^a 1 = Employee only
2 = Employee + 1 Dependent
3 = Employee + 2 or more Dependents

^bRates are net of County subsidy provided in the applicable Fringe Benefit MOU

^cSafeGuard rates for 2004 reflect credit adjustment for performance guarantee penalties

**COUNTY-SPONSORED
MEDICAL AND DENTAL INSURANCE PLANS
FOR NON-REPRESENTED EMPLOYEES
CURRENT 2003 RATES AND PROPOSED 2004 RATES**

Plan	Option	Coverage Category ^a	Current 2003 Rates ^b	Proposed 2004 Rates ^b	Percentage Change
BLUE CROSS	California Care HMO	1	\$176.33	\$202.49	14.8%
		2	\$344.49	\$395.60	14.8%
		3	\$361.95	\$415.64	14.8%
		4	\$408.95	\$469.63	14.8%
	PLUS POS	1	\$246.86	\$288.09	16.7%
		2	\$493.71	\$576.16	16.7%
		3	\$507.36	\$592.09	16.7%
		4	\$566.51	\$661.12	16.7%
	Catastrophic	1	\$141.00	\$164.55	16.7%
		2	\$281.00	\$327.93	16.7%
		3	\$284.00	\$331.43	16.7%
		3	\$331.00	\$386.28	16.7%
	Prudent Buyer PPO	1	\$306.60	\$357.80	16.7%
		2	\$565.95	\$660.46	16.7%
		3	\$589.05	\$687.42	16.7%
		4	\$680.40	\$794.03	16.7%
KAISER Flex/MegaFlex		1	\$176.33	\$203.80	15.6%
		2	\$344.49	\$398.16	15.6%
		3	\$361.95	\$418.34	15.6%
		4	\$408.95	\$472.66	15.6%
DELTA DENTAL Flex & MegaFlex		1	\$ 26.00	\$ 26.00	0.0%
		2	\$ 38.00	\$ 38.00	0.0%
		3	\$ 43.00	\$ 43.00	0.0%
		4	\$ 65.00	\$ 65.00	0.0%
DELTACARE PMI Flex & MegaFlex		1	\$ 11.83	\$ 11.83	0.0%
		2	\$ 20.29	\$ 20.29	0.0%
		3	\$ 20.43	\$ 20.43	0.0%
		4	\$ 29.44	\$ 29.44	0.0%
SAFEGUARD ^c Flex & MegaFlex		1	\$ 9.52	\$ 9.44	-0.8%
		2	\$ 17.76	\$ 17.68	-0.5%
		3	\$ 20.00	\$ 19.92	-0.4%
		4	\$ 26.09	\$ 26.01	-0.3%

- ^a 1 = Employee only
 2 = Employee + Child(ren)
 3 = Employee + Spouse
 4 = Employee + Spouse + Child(ren)

^b Rates, where applicable, are net of County subsidy

°SafeGuard rates for 2004 reflect credit adjustment for performance guarantee penalties

**LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT
AND SURVIVOR INCOME BENEFIT PROGRAMS
CURRENT 2003 RATES AND PROPOSED 2004 RATES**

		Monthly Cost per \$1000 of Insurance	
		<u>2003</u>	<u>2004</u>
COUNTY-PAID BASIC GROUP TERM LIFE INSURANCE		\$0.23	\$0.23
OPTIONAL GROUP TERM LIFE INSURANCE			
Employee:	<u>Age</u>	<u>2003</u>	<u>2004</u>
The monthly premium per \$1000 of insurance is based on employee's age as shown in the following table:			
	Less than 30	\$0.05	\$0.05
	30-34	\$0.07	\$0.07
	35-39	\$0.10	\$0.10
	40-44	\$0.12	\$0.12
	45-49	\$0.19	\$0.19
	50-54	\$0.30	\$0.30
	55-59	\$0.47	\$0.47
	60-64	\$0.73	\$0.73
	65-69	\$1.07	\$1.07
	70 and over	\$2.06	\$2.06
Dependent Life Insurance:		<u>2003</u>	<u>2004</u>
Cost per month, no matter how many eligible dependents he/she may have:		\$1.24	\$1.24

**LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT
AND SURVIVOR INCOME BENEFIT PROGRAMS
CURRENT 2003 RATES AND PROPOSED 2004 RATES**

OPTIONAL ACCIDENTAL DEATH & DISMEMBERMENT INSURANCE – Cost per Month

Employee Coverage	Current 2003 Rates		Proposed 2004 Rates	
	Employee Only Plan G	Employee & Dependents Plan H	Employee Only Plan G	Employee & Dependents Plan H
\$ 10,000	\$0.18	\$0.29	\$0.18	\$0.29
\$ 25,000	\$0.45	\$0.73	\$0.45	\$0.73
\$ 50,000	\$0.90	\$1.45	\$0.90	\$1.45
\$100,000	\$1.80	\$2.90	\$1.80	\$2.90
\$150,000	\$2.70	\$4.35	\$2.70	\$4.35
\$200,000	\$3.60	\$5.80	\$3.60	\$5.80
\$250,000	\$4.50	\$7.25	\$4.50	\$7.25
\$300,000	\$5.40	\$8.70	\$5.40	\$8.70
\$350,000	\$6.30	\$10.15	\$6.30	\$10.15

These figures apply regardless of employee's age. If Plan H is selected, all eligible dependents will be insured automatically.

SURVIVOR INCOME BENEFIT – For MegaFlex participants enrolled in Retirement Plan E

Employee Age	Current 2003 Rates		Proposed 2004 Rates	
	Employee Cost* (25% Option)	Employee Cost* (50% Option)	Employee Cost* (25% Option)	Employee Cost* (50% Option)
Under 30	0.156%	0.300%	0.156%	0.300%
30 to 34	0.192%	0.396%	0.192%	0.396%
35 to 39	0.252%	0.516%	0.252%	0.516%
40 to 44	0.360%	0.708%	0.360%	0.708%
45 to 49	0.480%	0.960%	0.480%	0.960%
50 to 54	0.636%	1.272%	0.636%	1.272%
55 to 59	0.912%	1.836%	0.912%	1.836%
60 to 64	1.248%	2.496%	1.248%	2.496%
65 to 69	1.716%	3.432%	1.716%	3.432%
70 and over	3.048%	6.096%	3.048%	6.096%

*Employee Cost is expressed as a percentage of regular monthly salary and is half of the actual premium. The County pays the other 50%.

**SHORT-TERM DISABILITY, LONG-TERM DISABILITY
AND LONG-TERM DISABILITY HEALTH INSURANCE
CURRENT 2003 RATES AND PROPOSED 2004 RATES**

MEGAFLEX SHORT-TERM DISABILITY PLAN

Employee Cost as a Percentage of Monthly Salary:

<u>Income Replacement</u>	<u>Current 2003 Rates</u>			<u>Proposed 2004 Rates</u>		
	<u>30 Days*</u>	<u>14 Days*</u>	<u>7 Days*</u>	<u>30 Days*</u>	<u>14 Days*</u>	<u>7 Days*</u>
40%	0.000%	0.067%	0.110%	0.000%	0.067%	0.110%
60%	0.241%	0.340%	0.429%	0.241%	0.340%	0.429%
70%	0.463%	0.588%	0.709%	0.463%	0.588%	0.709%

* Indicates length of waiting period.

MEGAFLEX LONG-TERM DISABILITY PLAN

Employee Cost as a Percentage of Monthly Salary:

<u>Income Replacement</u>	<u>Current 2003 Rates</u>		<u>Proposed 2004 Rates</u>	
	<u>Plan E + * Retirement Plan</u>	<u>All Other Plans</u>	<u>Plan E + * Retirement Plan</u>	<u>All Other Plans</u>
40%	0.000%	0.040%	0.000%	0.040%
60%	0.117%	0.157%	0.117%	0.157%

*Plan E plus 5 or more years of continuous service.

LONG-TERM DISABILITY HEALTH INSURANCE - Cost per month

Current 2003 Rates

\$4.25

Proposed 2004 Rate

\$4.25

**UNION-SPONSORED
MEDICAL AND DENTAL INSURANCE PLANS
CURRENT 2003 AND PROPOSED 2004 PREMIUM RATES**

Plan	Option	Coverage Category ^a	Current 2003 Rates	Proposed 2004 Rates	Percentage Change
ALADS	Prudent Buyer Plan Under Age 50	1	\$339.30	\$376.03	10.8%
		2	\$652.79	\$729.88	11.8%
		3	\$747.90	\$837.96	12.0%
	Prudent Buyer Plan Age 50 and Over	1	\$339.30	\$376.03	10.8%
		2	\$652.79	\$729.88	11.8%
		3	\$747.90	\$837.96	12.0%
	CaliforniaCare Basic Plan (All Ages)	1	\$245.77	\$258.98	5.4%
		2	\$470.87	\$497.45	5.6%
		3	\$587.09	\$620.24	5.6%
	Prudent Buyer Premier Plan Under Age 50	1	\$408.59	\$447.43	9.5%
		2	\$722.08	\$801.28	11.0%
		3	\$817.19	\$909.36	11.3%
	Prudent Buyer Premier Plan Age 50 and Over	1	\$408.59	\$447.43	9.5%
		2	\$722.08	\$801.28	11.0%
		3	\$817.19	\$909.36	11.3%
	CaliforniaCare Premier Plan (all ages)	1	\$315.06	\$330.38	4.9%
		2	\$540.16	\$568.85	5.3%
		3	\$656.38	\$691.64	5.4%
CAPE	Classic	1	\$305.00	\$351.00	15.1%
		2	\$615.00	\$710.00	15.4%
		3	\$797.00	\$914.00	14.7%
	Lite	1	\$225.00	\$249.00	10.7%
		2	\$455.00	\$504.00	10.8%
		3	\$589.00	\$646.00	9.7%
	PPO (Out-of-state only)	1	\$305.00	\$351.00	15.1%
		2	\$615.00	\$710.00	15.4%
		3	\$797.00	\$914.00	14.7%
FIRE FIGHTERS LOCAL1014		1	\$302.00	\$341.26	13.0%
		2	\$588.00	\$644.44	9.6%
		3	\$693.51	\$783.67	13.0%

^a 1 = Employee only
2 = Employee + 1 Dependent
3 = Employee + 2 or more Dependents